



## USDA Rural Development - Texas Section 523 Self Help Housing Technical Assistance Grants

### What Is Mutual Self-Help Housing?

Mutual Self Help Housing is the construction method where participating families, under supervision of a Self Help Housing grantee, utilize their own labor to reduce the total construction cost of all homes built by the group. Participating families are organized into groups generally of 4 to 10 families.

The Mutual Self Help Housing program is targeted to low and very low income families who are unable to obtain modest housing through conventional methods. The savings from the reduction in labor costs, allows otherwise ineligible families to own their homes. Families participating in a mutual self-help project perform approximately 65 percent of the construction labor on each other's homes.

Under the Section 502 Mutual Self Help Housing program, housing must be modest in size, design, and cost. Modest housing is defined as housing costing less than the USDA Rural Development area loan limit for the county where the house will be built. The maximum loan amount for self-help housing will be determined by adding the total of the market value of the lot (including reasonable and typical costs of site development), the cost of construction, and the value of sweat equity. The total of these factors cannot exceed the area loan limit for the area.

### Who May Receive Section 523 Technical Assistance Grants?

- (1) A State, political subdivision, or public nonprofit corporation (including Indian tribes or Tribal corporations); or
- (2) A private nonprofit corporation that is owned and controlled by private persons or interests and is organized and operated for purposes other than making gains or profits for the corporation and is legally precluded from distributing any gains or profits to its members.

### To receive a grant, the applicant must:

Have the financial, legal, administrative, and actual capacity to assume and carry out the responsibilities imposed by the Agreement. To meet the requirement of actual capacity it must either:

- (1) Have necessary background and experience with proven ability to perform responsibly in the field of mutual self-help or other business management or administrative ventures which indicate an ability to perform responsibly in the field of mutual self-help; or
- (2) Be sponsored by an organization with background experience, and ability, which agrees in writing to help the applicant to carry out its responsibilities.

Legally obligate itself to administer TA funds, provide adequate accounting of the expenditure of such funds, and comply with the Agreement and Rural Development regulations.

If the organization is a private nonprofit corporation, be a corporation that:

- (1) Is organized under State and local laws.
- (2) Is qualified under Section 501(c)(3) of the Internal Revenue Code of 1986.
- (3) Has as one of its purposes the production of affordable housing.
- (4) Has a Board of Directors which consists of not less than five.

The amount of technical assistance funds will be based on estimates of reasonable technical assistance costs per house as determined by USDA Rural Development. Agreements are generally made for two years. The Self Help Housing grantee is required

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

## USDA Rural Development - Texas

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to provide USDA Rural Development with financial and construction progress reports.

#### How May Funds Be Used?

Technical assistance funds may be used for:

- (a) Payment of salaries of personnel as authorized in the Agreement.
- (b) Payment of necessary and reasonable office expenses such as office rental, office utilities, and office equipment rental.
- (c) Purchase of office supplies such as paper, pens, pencils, and trade magazines.
- (d) Payment of necessary employee benefit costs including but not limited to items such as Worker's Compensation, employer's share of social security, health benefits, and a reasonable tax deferred pension plan for permanent employees.
- (e) Purchase, lease, or maintenance of power or specialty tools such as a power saw, electric drill, saber saw, ladders, and scaffolds, which are needed by the participating families.
- (f) Payment of liability insurance and special purpose audit costs associated with self-help activities.
- (g) Payment of reasonable fees for training of grantee personnel including board members.
- (h) Payment of services rendered by a sponsor or other organization after the grant is closed and when it is determined the sponsor can provide the necessary services which will result in an overall reduction in the cost of assistance.
- (i) Payment of certain consulting and legal costs required in the administration of the grant if such service is not available without cost.
- (j) Payments of the cost of an accountant to set up an accounting system and perform audits that may be required

- (k) Payments of reasonable expenses of board members for attending regular or special board meetings.

#### Is There Assistance Available to Help With the Application?

The Technical and Management Assistance (T &MA) contractor is available to answer questions and assist qualified applicants. The T&MA contractor for Texas is:

Little Dixie Community Action Agency Inc.  
502 West Duke Street  
Hugo, Oklahoma 74743  
Telephone: (580) 326-6441

Qualified organizations can apply for a predevelopment grant. If the grantee requests predevelopment assistance and the State Director determine that the applicant lacks the financial resources to meet the conditions of grant approval, a grant of up to \$10,000.00 may be approved.

#### You may contact USDA Rural Development at:

**USDA Rural Development**  
**Rural Housing programs**  
**101 South Main, Suite 102**  
**Temple, Texas 76501**  
  
**(254) 742-9770**

*This handout is intended only as a summary of the Mutual Self Help Housing program. More information on Mutual Self Help Housing is available in USDA Rural Development Instruction 1944-I. It is available at <http://www.rurdev.usda.gov/regs/regs/pdf/1944i.pdf>*